

04-214



U.S. ECONOMIC ASSISTANCE PROGRAM IN EGYPT

USAID Grant Agreement No. 263-285

**CONFORMED
COPY**

FIRST AMENDMENT

TO
PROJECT GRANT AGREEMENT
BETWEEN THE
ARAB REPUBLIC OF EGYPT
AND THE
UNITED STATES OF AMERICA
FOR
AGRICULTURAL EXPORTS AND RURAL INCOMES

Dated: 30 SEP 2003

Certified to be a true copy of the original document signed by Ambassador C. David Wlech, and Fayza Aboulnaga, Minister of State for Foreign Affairs.

FUNDS RESERVED / OBLIGATED	
App: P63-210	Rea. No. 123/41637
EOCC - 41000 - SPQ	HE36323263KG13
Soft. 016	Amount \$27,300,000.00
Agent Code	Acc. Basic
Oblig. Str. Dt.	Oblig. End Dt. 01/30/07
By <u>Karen Hunter</u> B&A <u>MACS</u>	Date 09/30/03

Karen Hunter
Legal Advisor

First Amendment ("Amendment"), dated 30 SEP 2003 to the Project Grant Agreement ("Grant Agreement"), dated September 30, 2002, between the Arab Republic of Egypt ("A.R.E." or "Grantee") and the United States of America, acting through the United States Agency for International Development ("USAID") (collectively, the "Parties") for Agricultural Exports and Rural Incomes.

SECTION 1. The Grant Agreement is hereby amended as follows:

A. Article 3, Section 3.1(a) is amended by deleting "Fifteen Million United States ("U.S.") Dollars (\$15,000,000)" and substituting "Forty Two Million Three Hundred Thousand United States ("U.S.") Dollars (\$42,300,000)" therefor.

B. Article 3, Section 3.1(b) is amended by deleting "Fifty Five Million U.S. Dollars (\$55,000,000)" and substituting "Fifty Seven Million Three Hundred Thousand U.S. Dollars (\$57,300,000)" therefor.

C. Article 7, Section 7.2 is amended by adding the following sentence after the end of the first sentence "However, the individual holding or acting in the office of the Minister of State for Foreign Affairs, by written notice, shall be entitled to designate representatives for all purposes."

D. Annex I, Amplified Description, to the Grant Agreement is deleted in its entirety and replaced by Annex I attached hereto.

SECTION 2. Language of Amendment: This Amendment is prepared in both English and Arabic. In the event of ambiguity or conflict between the two versions, the English language version will prevail.

SECTION 3. Except as specifically amended or modified herein, the Grant Agreement shall remain in full force and effect in accordance with all of its terms.

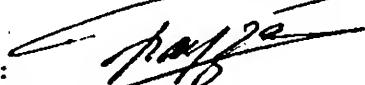
SECTION 4. Ratification. The A.R.E. will take all necessary action to complete all legal procedures necessary for ratification of this Amendment and will notify USAID as promptly as possible of the fact of such ratification.

SECTION 5. Effectiveness. This Amendment shall enter into force when signed by both Parties hereto.

IN WITNESS WHEREOF, the Arab Republic of Egypt and the United States of America, each acting through its respective duly authorized representatives, have caused this Amendment to be signed in their names and delivered as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

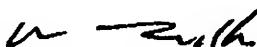
BY :



NAME : Fayza Aboulnaga

TITLE: Minister of State for Foreign Affairs

BY :



NAME : Mohamed Tawfik

TITLE: Director,
Cabinet of the Minister
of State for Foreign Affairs

UNITED STATES OF AMERICA

BY :



NAME : C. David Welch

TITLE: Ambassador

BY :



NAME : Kenneth C. Ellis

TITLE: Director,
USAID/Egypt

Implementing Organization

In acknowledgement of the foregoing Agreement, the following representative of the implementing organization has subscribed his name:

BY :

Youssuf Wally

NAME : Dr. Youssuf Wally

TITLE : Deputy Prime Minister and Minister of Agriculture and Land Reclamation

Annex 1

Amplified Description for the Agricultural Exports
and Rural Incomes (AERI)
Project Grant Agreement No. 263-0285

I.. Introduction:

This Annex 1 describes the activities to be undertaken and the results to be achieved with the funds obligated under this Agreement. Nothing in this Annex 1 shall be construed as amending any of the definitions or terms of this Agreement. The Annex 1 may be amended by authorized representatives of the Parties through Implementation Letters (ILs) as provided under Article A. Section A.2 of the Standard Provisions (Annex 2) to the Agreement, without formal amendment of the Agreement, provided that the definition of the Strategic Objective and Result, as set forth in Article 2 of this Agreement, are not altered thereby.

II. Background:

This program builds on advances made in the competitiveness of Egypt's agricultural sector in recent years, through policy reform and technology transfer. Much has been accomplished to boost crop production, open up agricultural markets, improve private sector participation, and increase the volume of fresh and processed horticultural exports. Much remains, however, to consolidate these gains by increasing on-farm and agribusiness jobs and increasing rural incomes.

III. Result to be Achieved and Indicators:

The Result sought under the AERI project is an increase in on-farm and agribusiness jobs and rural incomes. AERI will contribute to Strategic Objective ("SO") 16 ("Environment for Trade and Investment Strengthened"). The support AERI will provide to agricultural trade associations, to small producers and producer and marketing associations will contribute to the achievement of IR 16.2: Private Sector Competitiveness Increased. Support to trade associations and the formation of international linkages between Egyptian and U.S. agribusiness firms and research institutions for enhanced technology transfer and

commercialization of research products will contribute to
IR 16.3: Opportunities for Business Growth Enhanced.

AERI will achieve the following micro-level results:

- 1) 30,000 small and medium farmers, through their member associations, will benefit from the dissemination of improved production and post-harvest technologies;
- 2) The volume of exported horticultural products will increase more than five fold over the life of the project;
- 3) Small scale dairy and livestock producers will increase their production by at least 50 percent over the life of the project;
- 4) Farmer associations will become sustainable through the provision of quality, fee-based services to their members (such as technology transfer, post-harvest handling, the dissemination of market information, and quality control guarantees), increases in their membership, and the implementation of export oriented policy advocacy programs; and,
- 5) A minimum net increase of 40,000 new on-farm jobs will be generated by targeted firms over the life of the project.

Indicators that will measure the contribution of this activity to SO level results include: value of fresh horticultural crops exported; the Global Competitiveness Index (an index of economic competitiveness published by the World Economic Forum); and, the share of the private sector in gross domestic product (GDP). In addition to these indicators, progress in achieving the Result under the Agreement will be measured, in part, through a qualitative analysis of World Trade Organization (WTO) requirements.

IV. Activities:

Activities to be undertaken under the AERI project must meet essential selection criteria. These include demonstration of conformity with the SO, a clear relationship with the intended Result, the reasonability of micro-level results, and a clear identification of the

activity and proposed costs that are commensurate with anticipated benefits.

To achieve the Result and IRs presented in Section III of the Annex 1, USAID and the A.R.E. agree that, in addition to the Ministry of Agriculture and Land Reclamation (MALR), USAID-funded contractors, U.S., Egyptian and international non-governmental organizations (NGOs), and U.S. and Egyptian universities may support the implementation of the activities described below.

AERI will provide technical assistance, training, and commodities in support of the following activities:

1. Grant Program for Smallholders - This project component will address critical material constraints faced by smallholders to increasing their production and incomes in the targeted horticultural, livestock and dairy sectors. The component will use a flexible funding mechanism that includes cost-share on behalf of the recipient to address smallholder infrastructure and equipment constraints that limit their ability to attain the AERI goals of increased employment, rural incomes and export.
2. Support to Egyptian Agricultural Trade Associations - This project component will provide support to help strengthen the technical capacity of Egyptian agricultural trade associations to respond to member needs in critical areas such as: production; post-harvest handling and cooling; transportation; market identification and penetration; policy advocacy; enhancement of agricultural worker skills; good agricultural practices; quality assurance; market intelligence/market information; access to support services; and linkages to smallholders and public-private partnerships for research and extension.
3. Support to Smallholders - This project component will provide: 1) technology transfer to Egyptian smallholders to increase the quality of horticultural, dairy and livestock production; organizational development support to farmer associations; support to forge strong market linkages between large Egyptian producers and exporters; and 2) support to encourage the establishment of Egyptian private sector-funded

and operated post-harvest centers for handling, packaging and cooling in rural areas.

4. International Linkages between Egyptian and American Scientists- This project component will provide support to: 1) establish and encourage sustainable private-public partnerships and international linkages between American and Egyptian scientists for applied research, extension and practical on-farm training; 2) encourage scientific exchange and capacity building between American and Egyptian scientists, policy makers, agricultural school graduates, and others on topics such as bio-safety, biotechnology outreach, consumer labeling and other regulatory issues, post harvest and food processing; 3) fund collaborative research grants for biotechnology and small operations research grants for punctual research on issues related to post-harvest and marketing.
5. Legacy Program Design - This project component will provide technical assistance for the design of a legacy program to ensure the sustainability achievements attained under AERI and, more generally, to serve the agricultural sector.

V. Roles and Responsibilities of the Parties:

A. The A.R.E.

The MALR will be the principal implementing partner for this project. USAID and the MALR will manage the implementation of activities under this Agreement jointly.

Implementation of activities funded under this Agreement may be carried out by the MALR and a combination of U.S., international and local organizations working under grants, cooperative agreements and contracts in support of the Agreement objectives. USAID will enter into such grants, cooperative agreements and contracts in accordance with USAID requirements and only after consultation with the MALR. Upon the award of the implementing instruments, MFA/ICS will be notified of such award.

The MALR is responsible for ensuring that appropriate staff and infrastructure are in place to support the implementation of activities under AERI.

AERI Advisory Committee

The MALR shall establish an Advisory Committee for the project as required under Article 6, Section 6.1 of the Agreement. The purpose of the Advisory Committee shall be to provide a forum for discussion and resolution of project technical issues that includes a broad spectrum of stakeholders and to serve as a liaison between the MALR and other A.R.E. ministries on technical issues under the project. The Advisory Committee shall be comprised of no more than one-third representation from the A.R.E., including a Chairperson who shall be an authorized representative of the A.R.E. under Article 5, Section 5.1(a) of the Agreement and A.R.E. officials from other relevant ministries. The balance of the Advisory Committee shall be comprised of representatives from the Egyptian private sector. Egyptian private sector membership on the Advisory Committee shall include representatives from the horticultural and livestock community at-large (including smallholders). USAID staff may be represented on the Advisory Committee as observers.

The AERI Contractor shall serve as the Secretariat for the Advisory Committee. Contractors and grantees may be invited to attend Advisory Committee meetings to present project technical issues for discussion.

The Advisory Committee shall be established within ninety (90) days of the effective date of the Agreement. The roles and responsibilities of Advisory Committee members and the Advisory Committee Secretariat shall be set forth in a separate Memorandum of Understanding between USAID and the MALR executed by the authorized representatives of the Parties to the Agreement.

B. USAID

USAID, as funder of the Grant under this Agreement, is responsible for executing contracts and grants to implement approved activities needed to achieve the Result set forth in Section III of this Annex.

The Competitiveness and Agricultural Development (CAD) Division of the Economic Growth Directorate at USAID/Egypt will monitor the implementation of AERI on behalf of the U.S. Government. USAID's CAD staff will establish working relationships with the MALR, other A.R.E. ministries, and others as needed to facilitate the implementation of project activities.

USAID shall help to establish an AERI Coordination Unit whose purpose shall be to provide technical coordination among the AERI project components set forth in Section IV, above.

VI. Monitoring and Evaluation:

The implementation of the AERI project will contribute to achievement of two of the SO16 IRs described in Section III of this Annex 1. These IRs will be measured using the following SO level indicators: value of fresh horticultural crops exported; the Global Competitiveness Index (an index of economic competitiveness published by the World Economic Forum); and, the share of the private sector in gross domestic product (GDP). In addition to these indicators, progress in achieving the Result under the Agreement will be measured, in part, through a qualitative analysis of World Trade Organization (WTO) requirements.

The above specified indicators will be used to measure progress toward achievement of the objectives of this Agreement and to monitor performance, and may influence the allocation of financial resources. Activity reports will provide the basis for annual assessments of overall progress toward project goals and objectives. In addition, USAID in consultation with the Ministry of Agriculture and Land Reclamation (MALR), will use performance data as the basis for recommending adjustments in targets, indicators and funding levels for activities.

Two evaluations, tentatively planned for the years 2005 and 2007, will be conducted by a USAID Monitoring and Evaluation contractor for SO 16. The AERI Contractor will coordinate the monitoring activities of the AERI project.

VII. Financial Plan:

The illustrative Financial Plan for this Agreement is attached. Changes may be made to the financial plan by authorized representatives of the Parties using IIs, as provided under Article A, Section A.2 of Annex 2 of the Agreement, without formal amendment of the Agreement, provided that such changes do not cause USAID's contribution to exceed the amount specified in Section 3.1 of the Agreement.

Attachment 1

AGRICULTURAL EXPORTS AND RURAL INCOMES

(AERI)

USAID GRANT No. 263-0285
Illustrative Financial Plan

Element	FY02 USAID Obligation	FY03 USAID Obligation	Anticipated USAID/Cairo Obligations (USD)	Total Planned Contribution (USD)	A.R.E. Contribution (LE)
Grant Program for Smallholder Groups	2,680,000	5,560,000	0	8,240,000	
Trade Associations	2,486,600	5,719,100	2,764,300	10,970,000	
Small Holders	5,816,000	7,872,000	6,381,800	20,069,800	
International Linkages	1,402,400	1,928,200	2,165,200	5,495,800	
Legacy	50,000	68,800	181,200	300,000	
Coordination Unit	455,000	1,750,600	1,858,700	4,064,300	
Training	2,070,000	4,146,300 ²	1,343,800	7,560,100	
Audit	40,000	55,000	105,000	200,000	
Management	0	200,000	200,000	400,000	
Total	15,000,000	27,300,000	15,000,000	57,300,000³	9,490,038¹

¹ This amount includes LE 3.5 million from the FT-800 Account to fund air tickets for international travel, medical examinations and the employers' share of social insurance. The remaining contribution of LE6.0 million will be in kind.

² \$2,300,000 from this line item will help fund related - but non-AERI - in-country and offshore training activities.

³ This new total reflects the additional \$2,300,000 for training mentioned in the above footnote.